

Senate File 506 - Introduced

SENATE FILE 506

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 248)

A BILL FOR

1 An Act providing for a small employer health insurance tax
2 credit as a percentage of the federal credit and including
3 retroactive applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.12A Small employer health
2 insurance tax credit.

3 1. The taxes imposed under this division, less the credits
4 allowed under section 422.12, shall be reduced by a small
5 employer health insurance tax credit equal to twenty-five
6 percent of the federal small employer health insurance tax
7 credit provided in section 45R of the Internal Revenue Code.
8 The tax credit provided in this section is available to
9 eligible small employers.

10 2. An individual may claim the tax credit allowed to a
11 partnership, limited liability company, S corporation, estate,
12 or trust that elects to have the income taxed directly to the
13 individual. The amount claimed by the individual shall be
14 based upon the pro rata share of the individual's earnings of
15 the partnership, limited liability company, S corporation,
16 estate, or trust.

17 3. Any credit in excess of the tax liability is refundable.
18 In lieu of claiming a refund, the taxpayer may elect to have
19 the excess shown on the taxpayer's final, completed return
20 credited to the tax liability for the following tax year.

21 4. For purposes of this section, "*eligible small employer*"
22 means a taxpayer who has ten or fewer full-time employees and
23 who otherwise meets the requirements of the small employer
24 health insurance tax credit allowed under section 45R of the
25 Internal Revenue Code.

26 Sec. 2. Section 422.33, Code 2011, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 13. The taxes imposed under this division
29 shall be reduced by a small employer health insurance tax
30 credit authorized pursuant to section 422.12A.

31 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
32 retroactively to January 1, 2011, for tax years beginning on
33 or after that date.

34 EXPLANATION

35 The federal Patient Protection and Affordable Care Act (Pub.

S.F. 506

1 L. No. 111-148) provided for a small employer health insurance
2 income tax credit of up to 50 percent for eligible small
3 employers. This bill provides for a credit against Iowa income
4 tax liability in an amount equal to 25 percent of the federal
5 credit for employers with 10 or fewer full-time employees. The
6 tax credit is refundable or may be carried forward to the next
7 tax year and is available against the individual and corporate
8 income taxes.

9 The bill applies retroactively to January 1, 2011, for tax
10 years beginning on or after that date.